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THE CASE FOR HOME RULE

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The city of Chicago was the victim in 1913 of as daring a raid as a pirate crew ever made upon a rich and defenseless city. A bill was pending in the legislature which created a public utility commission, but in article six conferred upon cities the option of exercising identical powers, if they chose to undertake the task of regulation. This home rule article was suddenly stricken out by the house. Upon public protest it was restored by the senate. On the last day of the session the house refused to concur in the senate amendment, and to the consternation of Chicago the act became a law. It swept away most of the powers Chicago had slowly wrung from the state legislature through a long series of efforts, and snatched away the hope of adding others. This act was not demanded by the state of Illinois. No party and no candidate urged it. The Chicago press, and people, had uttered the most vigorous protest against the measure. Unasked by the people of the state and denounced by the people of the city, this bill was passed in the interest of public utility corporations, and was the crowning climax of the corporation legislation of our state.

Those interested in local public utility regulation firmly believe that cities should possess the right to control public service corporations, which are primarily, and largely, local. We hold that cities should be given the option of local or state regulation to exercise, as their situation, or judgment, may dictate. If cities prefer state regulation it should be their privilege to come under such regulation; but if they prefer to regulate their affairs themselves, then they should be accorded that privilege.

There is nothing to prevent cities of moderate size from securing the best types of expert advice, and assistance, whether engineering, accounting, investigating or otherwise. Chicago has had the benefit of the advice of men like Arnold, Cooley, and DuPont in the consideration of its traction problem; of Wallace and Fisher on railway terminals; of the Jackson brothers, and Bemis on gas and telephone,

and in the last ten years, has attacked the public utility problem, with the assistance of competent experts. The ability of the experts employed and the advantages gained have stood in striking contrast to the work done by the railway and warehouse commission of the state.

We have now organized a public service department for the supervision of service and the regulation of rates of public utility companies. This department consists of five bureaus: The bureau of transportation, the bureau of gas, the bureau of telephone, the bureau of electric light and power, and the bureau of engineering.

But for the surprising action of the legislature of 1913, this department would have now been in position to deal directly and effectively with the utility companies of Chicago. As things stand, its functions are limited to the general supervision of public utility service, and the enforcement of certain provisions in contract ordinances, notably those contained in the telephone and electric lighting company franchises.

Chicago received from its public utilities, in 1913, the sum of \$3,688,477.03, derived as follows:

Street Railway Companies.....	\$2,529,033.81
Chicago Telephone Company.....	385,614.93
Chicago Tunnel Company Telephone.....	11,880.36
Chicago Tunnel Company Tunnel.....	29,716.28
Commonwealth Edison Company.....	473,010.95
Cosmopolitan Electric Company.....	21,665.29
Northwestern Elevated.....	10,168.46
Union Loop (elevated).....	85,085.71
Elevated car licenses.....	69,100.00
Telegraph companies.....	13,929.90
Miscellaneous sources.....	59,271.34

If adequate power were conferred upon the city by the legislature, it would be possible to have in Chicago a well equipped staff of experts, supervising service and rates, but responsible to the community which these companies serve, and not to a large and composite state population, most of whom they do not serve. The capitalization of the public utilities of Chicago excluding railroads is in round numbers \$525,000,000. This amount is made up as follows:

Capitalization Public Utilities Companies

Name of company	Stocks	Bonds	Totals
Chicago Utilities Company.....	\$49,269,000	\$9,999,900	\$59,288,900
Chicago Telephone Company.....	27,000,000	19,004,000	46,004,000
Commonwealth Edison Company.....	45,838,936	32,000,000	77,838,936
People's Gas Light and Coke Company	38,500,000	46,762,000	85,262,000
Chicago Railways Company.....	100,000	87,481,465	87,581,465
Chicago City Railway Company.....	18,000,000	28,950,000	46,950,000
Calumet and South Chicago Ry. Co. .	10,000,000	4,825,000	14,825,000
Chicago and Western Railway Co.	72,000	74,000	146,000
Chicago and Interurban Traction.....	1,000	1,350,000	2,350,000
Chicago and Oak Park Elevated.....	10,000,000	5,077,062	15,077,062
South Side Elevated Railway Co.....	10,231,400	10,327,000	20,558,400
N. W. Elevated Railway Company....	9,891,500	29,552,000	39,443,500
Met. Elevated Railway Company.....	16,172,000	15,498,000	31,670,000
Total.....			\$527,975,263

The capitalization of down-state utilities, excluding railroads, is approximately \$300,000,000.

Of the companies operating in the city, the People's Gas Light and Coke Company is owned by the Commonwealth Company and the elevated railroads are owned by the Commonwealth Edison Company. Interlocking directorates among the other corporations, as shown by recent reports of the public service department upon my city council order, are so close as to keep the ownership of this half billion dollar investment in a very few hands. The process of concentration is proceeding very rapidly and it is only a matter of a short time until we will be faced by a single company controlling all the public utilities of the city. This company will have larger revenues than the city government, a greater debt than the city, employ a larger number of men than the municipality, and transact a volume and variety of business rivalling that of the municipal corporation.

This mass of capital and net of interests can be effectively met only by one power, and that is the combined power of the subscribers of all these companies in the city. These consumers of gas, electricity and users of telephone and street railways, are familiar with the character of service rendered and the prices paid. If they are in a position to assert themselves through the city government they will exert pressure which the people of the whole state cannot

and will not bring to bear. The pressure of these subscribers will be persistent, insistent, and perhaps, at times, annoying to the utility corporations.

If rates and service requirements fixed by the locality are unfair and unreasonable, the courts will overthrow them, and the loser will be the city itself. The real danger is not that of confiscatory rates or arbitrary service orders, against which the corporations are well protected, but that the public will suffer from high prices exacted for inferior service. The real and present menace is the payment of dividends on watered stock, paid by the crowded car; the busy signal; the wrong number; and the unbridled meter. To compel consumers to deal with this huge combination through the devious and indirect agencies of state government will tend to obstruct that vigorous regulation which the public interest requires, and which it should be the object of sound legislation to secure.

The charge has been made that public utility regulation by local authorities is likely to be more "political" in nature than regulation by state authorities. This contention is entirely misleading. There is no ground for supposing that state governments are less political than municipal governments, taking the country over. Indeed, state governments are always organized on partisan lines, while many cities are non-partisan in their organization. As a member of the city council of Chicago, which has been organized for more than a decade on a basis of at least nominal non-partisanship, I protest against the assumption that the city hall is any more "political" than the partisan state government has been during the same period. If by "politics" is meant the interference of the demagogue, or the blackmailer, with fair and reasonable settlements, I reply that it is an easy march for these persons from the city hall to the state capitol. They mobilize quickly and understand how to besiege a governor as well as a mayor or a city council. It is utterly idle to suppose that merely by placing the power to regulate in the hands of the state government the influences that interfere with wide and just public control will be automatically eliminated, and that on the whole conditions will be one whit improved.

The real reason why many corporations prefer state to local control is, not that one is more "political" than the other, but that the indirect pressure of the state electorate is preferred to the direct pressure of the local electorate. In the confusion of state and national politics they hope to escape, to some extent, public notice

and attention. They calculate that in the excitement of national elections, in the rivalry between city and state, in the battle over the liquor question, in the dust raised by factions and sections, a commission may be secured that either will be controlled or easily influenced by the public utility interests. It is difficult in any state to make the choice of a utilities commission an effective issue in the selection of a governor, and it is precisely for this reason that public utility interests, as a rule, prefer that type of regulation. Upon this point they are certainly "wiser in their day and generation than the children of light." I know that the public service corporations of Chicago will never be as effectively regulated in the public interest by the state, as they will be by the city of Chicago, and I have reason to believe that the same situation is found in many other large cities. In my opinion the cry that "politics" will interfere with adequate municipal regulation is itself one of the cleverest pieces of "politics" in the long history of clever utility corporation tactics.

The urban population of the United States of cities over 30,000, is 29,127,693. The population of cities over 100,000 is 20,886,015. The public utilities in these cities are an integral and inseparable part of the life of the community. If any subject is local in nature, and therefore properly subject to local regulation, these utilities certainly are of this class. A city government shorn of power over its street railways, its gas and electric lighting companies, where these are mainly local, is placed in a position where home rule is impossible. The control of city affairs is automatically transferred to the state capital and the state commission. That public utility questions have so often been the storm center of local interest in cities like Chicago and Cleveland, is not without deep significance. This intense interest shows how far-reaching is the local importance of public utility problems, and how vital the power of local regulation is to the development of local government. The more nearly the area served by the utility corresponds to the city limits, the more emphatic the argument is.

There are those who look with smug satisfaction at the raids upon the economy of our cities, but they will do well to remember that cities deprived of the power to regulate their local utilities may be forced to ownership and operation of them in order to secure the service desired, and denied. In the long run, a generous option to the city of ownership, or regulation, will prove the wisest policy and will result in greater gain to both city and corporation.